From: Adam Hirst

Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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Comments:
Government's good intentions are going to hurt the consumer even more with this by limiting competition and increasing costs to the consumer. The proposed "prohibition of payments to a mortgage broker or loan officer that are based on the loan's interest rate" hurts the consumer by eliminating their choice to take a slightly higher interest rate in exchange for a significant reduction in, or elimination of, closing costs and prepaids. This means the consumer will have no choice but to pay the costs and prepaids associated with the loan from their own pocket instead of through a slightly higher monthly payment. This further reduces the number of people that can afford to purchase a home, which in turn only exacerbates the current housing crisis. Adding to this are the higher interest rates that will naturally occur as wholesale lenders and mortgage brokers are put out of business in favor of the larger banks that do not have to even disclose their service release premium and who will be the only lenders left for the consumer to choose from. This lack of direct competition to banks will necessarily increase the interest rate that consumer's have to pay. Currently, if consumer "A" is at 6.5% and he wants to refi to a 30-year fixed, I can offer him an array of choices ranging from say 5% costing him $4,000 to 5.375% costing him nothing. For a $250,000 loan the payment differential is about $57/mo. Therefore, if the consumer plans to sell his home anytime in the next 70 months ($4,000 / $57) he'd be better off taking the higher rate and not paying the costs. And finally, Yield Spread Premium (YSP) is currently disclosed to the consumer over and over again and at some point we have to consider the consumer as having been informed and able to make his own decision as to what's best for him. Here in Colorado we disclose the YSP on the preliminary Good Faith Estimate and Mortgage Broker Compensation Disclosure which must be sent to the borrower within three days of application. The lender then re-discloses to the borrower directly once the file is registered with them or sent to them for underwriting. In addition, many lenders have their own form disclosing all the compensation,

including YSP, which we have to have signed by the borrower, in addition to the other disclosures previously mentioned. Then, at closing all YSP appears on the HUD-1 Settlement Statement for the borrower to see a third or fourth time. And often the lender will have an additional disclosure to be signed at closing by the borrower explaining the nature of the YSP to be paid by it to the mortgage broker. I think we can provide protections to the consumer without limiting their options and costing them more money, but this proposal is not the way. This can only result in some banks getting larger at the expense of the entire mortgage broker industry and ultimately the consumer.